



Director of  
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## EL SALVADOR: Fighting in the North

*The government offensive continues in northern Morazan Department, while the insurgents try to exploit political divisions in San Salvador.* [redacted]

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The Army has crossed the Torola River and retaken a few small towns in northern Morazan. [redacted]

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Insurgent propaganda is claiming most of the northeast is "liberated territory." The guerrillas are calling on government troops to turn their weapons against a "corrupt and divided" officer corps. The insurgents also have increased harassment attacks on towns, military outposts, and economic targets. [redacted]

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Comment: The Army hopes to retake other towns in northern Morazan and deny the insurgents any military and political momentum that might result from their current offensive. The operation is likely to meet heavy resistance, however, and its results may be limited. Despite their harassing attacks, the insurgents are still not in a position to exploit fully the political situation to their own advantage. [redacted]

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## OPEC: Emergency Meeting

*OPEC will again try to reach agreement on a new production allocation scheme in support of the \$34 per barrel benchmark price for crude oil when its emergency conference convenes tomorrow in Geneva.* [redacted]

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The special session was called following signs of further deterioration in the oil market. OPEC production fell 500,000 barrels per day in December and early January to less than 19 million barrels, and some analysts expect an additional decline of some 1 million barrels per day by April. [redacted]

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Comment: Riyadh apparently called for the emergency meeting after discussions with its major customers persuaded it that Saudi oil production could fall well below 4 million barrels per day in coming months. [redacted]

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Most OPEC members are willing to submit to production allocations, but political animosities among some could prevent agreement. Any quota system will have to be strictly obeyed by all members to be effective because no recovery in demand seems likely in the near term. [redacted]

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## LIBYA-BULGARIA: Friendship Treaty

Libya and Bulgaria signed a treaty of friendship and cooperation yesterday at the conclusion of Libyan leader Qadhafi's five-day visit to Bulgaria. The Bulgarian news agency reports the two sides also signed a program for increasing economic, scientific, and technological cooperation over the next few years. Bulgaria currently has a large number of technicians and engineers working in Libya. Qadhafi signed friendship treaties with Czechoslovakia in September and with North Korea in November. [REDACTED]

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Comment: The treaty suggests Libya and Bulgaria have resolved the issue of Libya's lagging debt payments to Bulgaria, a source of friction over the past year. The recent series of friendship treaties signed by Libya-- which had avoided all such pacts until last fall-- indicates Qadhafi is grasping for allies. [REDACTED]

[REDACTED]

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UK: Rejecting Dual Key for INF

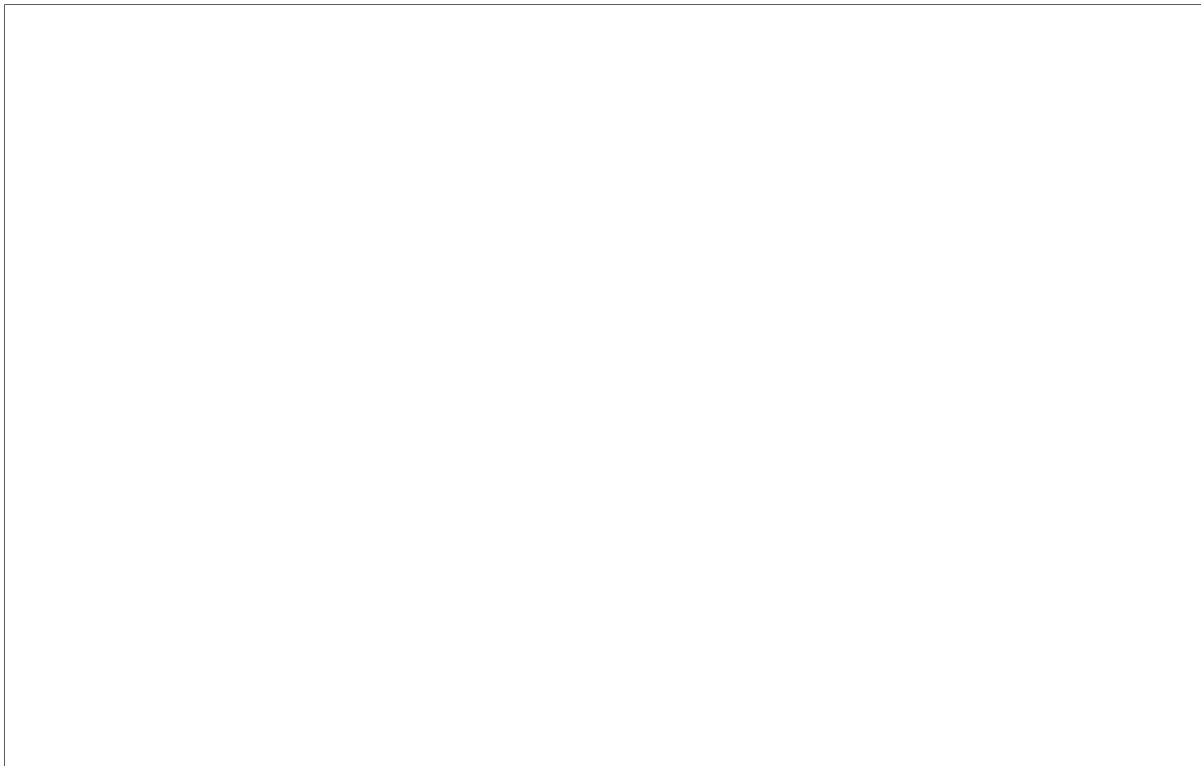
Prime Minister Thatcher and newly appointed Defense Secretary Heseltine have publicly rejected suggestions for dual-key controls for INF. They say the government is satisfied with the 30-year-old arrangements for US nuclear weapons based in the UK. Heseltine adds that London had been offered a "key" when the NATO INF decision was made in 1979 but had turned down the offer. Thatcher is aware of the potential problems in a formal dual-key arrangement and is trying to discourage growing demands for it. [redacted]

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Comment: The controversy is likely to persist because opposition leaders believe the government is vulnerable on the issue. They will continue to demand guarantees that the UK will have a veto over the launching of US missiles from its soil. Even many Tories, who are worried about elections and increasing public opposition to INF, probably would like the government to make specific and reassuring pronouncements on control of the weapons. [redacted]

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## USSR-JAPAN: Criticism of Nakasone

TASS has followed up its initial harsh reaction to Prime Minister Nakasone's remarks in Washington on Japanese defense plans with a generally similar attack but has omitted the threat of Soviet nuclear retaliation. Other Soviet comment has charged that revived Japanese "militarism," encouraged by the US, threatens Asian countries with its "expansionist impulses." Soviet officials recently [redacted] that US and Japanese military plans, including the coming deployment of the battleship New Jersey in East Asian waters, will result in a further Soviet military buildup in the region. [redacted]

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Comment: The USSR has long tried to discourage a Japanese defense buildup, but the retaliatory threat in TASS was unusually strong. The omission of the threat from the second TASS commentary suggests Moscow now believes reiterating this line might prove counterproductive. The USSR also wants to use the Japanese defense issue to stimulate opposition in Southeast Asia to an expansion of Japanese naval operations and to justify Soviet military activity in East Asia. [redacted]

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## USSR-POLAND: Positive Commentary

*Pravda* last week published an article by its Warsaw correspondent describing some "positive changes" in Poland. Along with an improved economy and higher worker morale, the article reports a revival of party militancy, praises the screening of party members, and cites improvements in ideological work. It briefly notes weaknesses in some party organizations but asserts the "nucleus" has passed a difficult test. [redacted]

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Comment: The *Pravda* correspondent previously has noted favorable developments, but this article is particularly upbeat. Its most noteworthy aspect is its general approval of developments in the party. This suggests the Soviets believe some progress has been made despite continuing major problems there. The article appears to reflect general approval of Premier Jaruzelski's performance, but it also may be designed to imply conditions call for a more rapid transition from military rule. [redacted]

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CHINA - SOUTHERN AFRICA: Visit of SWAPO Delegation

South-West Africa People's Organization president Nujoma departed for Beijing on Thursday as head of the second SWAPO delegation to visit China since October. This is his first visit since 1975. According to the Chinese press, Nujoma says he will ask for material assistance. [REDACTED]

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Comment: Relations between SWAPO and China had been cool since 1978 because of the organization's ties to the USSR, but Beijing renewed its dialogue with SWAPO last year. China's heightened interest in insurgent groups in southern Africa reflects its desire to identify more closely with the Frontline States and to disassociate itself from US policy on negotiations on Namibia. The Chinese also want to become recognized as an alternate source of support for revolutionary movements aimed at South Africa. SWAPO's willingness to renew its ties with China is a sign of its desire to diversify its sources of foreign support. [REDACTED]

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## Special Analysis

### EGYPT-US: Mubarak's Visit

*President Mubarak, who will visit Washington next week, is committed to close relations with the US as the foundation for Egypt's economic and military development and a comprehensive Middle East peace settlement. After 15 months in office, Mubarak's political position appears stable for now, but he has not come up with measures to attack serious economic and social problems. The President will try to use the visit to demonstrate that the US connection is bringing tangible benefits without impairing Egypt's independence. He will seek a more visible and flexible US economic aid program, increased military assistance, and more urgent efforts to carry the US peace initiative to fruition.* [redacted]

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Mubarak's candor and restraint initially provided a welcome change from the late President Sadat's style. His performance as a leader has disappointed many Egyptians, however, because he has developed no bold new policies to deal with rapid population growth, urban congestion, inefficient public-sector industries, and unchecked government spending. His failure to offer a clear vision of a better future has fed doubts about his leadership. [redacted]

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Nevertheless, Mubarak has retained the loyalty of the military and security services and also benefits from divisions among his opponents. Discontent has not coalesced around any single leader or issue. Political dissent has remained within limits considered tolerable by the government, which retains the emergency powers that it assumed after Sadat's assassination in late 1981. [redacted]

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The largest Islamic fundamentalist group in Egypt, the Muslim Brotherhood, has no apparent intention to challenge the regime. The smaller and more extreme Islamic groups have only limited popular support. Since Sadat's assassination, the security forces have kept the extremists in check, although isolated terrorist acts are possible. [redacted]

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Mubarak's relations with the Coptic Christian community--Egypt's most significant minority--remain strained, largely because of the continued detention of the Coptic pope. The President evidently intends to ignore threats by Copts in the US to stage demonstrations against him. He fears that the pope's release might result in Muslim-Coptic tension, or even lead to the pope's assassination by Islamic extremists. [redacted] 25X1

Egypt so far has weathered the soft oil market and the global recession better than most developing countries but will face growing economic problems in the year ahead. If oil prices continue to fall or major disruptions in international financial markets impede access to new foreign commercial loans, a foreign exchange crisis could force the government to impose much tougher and politically risky austerity measures. Such problems, if combined with foreign policy setbacks and a further deterioration in the standard of living in Cairo, could touch off domestic unrest. [redacted] 25X1

#### Cooperation With the US

Egypt wants the economic and military aid parity with Israel that Mubarak and many Egyptians believe was promised to Sadat. Egyptian leaders view the US aid programs as a barometer of Washington's willingness to balance its relations with Tel Aviv and Cairo. Egypt wants aid for urban water and sewer projects and also wants to receive a larger share of its economic assistance in cash. [redacted] 25X1

Cairo is willing to continue strategic cooperation with the US, despite reservations among some officials in the Foreign Ministry about the political and diplomatic costs. Mubarak believes a US role is necessary to meet regional security threats, but he will continue to reject any permanent and overt US military presence in Egypt. [redacted] 25X1

#### The Peace Process

The Egyptians believe progress toward a Middle East peace settlement has to occur soon, given the approach of the US Presidential election campaign and Israel's piecemeal absorption of the West Bank through the construction of settlements. Egypt's immediate goal is the removal of Israeli forces from Lebanon, although it is

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concerned that the overall peace process not be delayed by negotiations over a troop withdrawal. Egyptian leaders want the US to increase pressure on the Begin government.

[redacted]

Egypt's own relations with Israel remain near the low point to which they sank when Israel invaded Lebanon last June. Cairo refuses to return its ambassador to Tel Aviv at least until there is a schedule for an Israeli troop withdrawal. Egypt also rejects Israel's demand to resume the frozen Egyptian-Israeli normalization talks as an explicit condition for settling the Tabah border dispute in the Sinai.

[redacted]

Mubarak believes the US peace initiative is the most promising basis for a comprehensive settlement. He is trying to initiate a US-PLO dialogue and may soon meet with PLO chief Arafat in Cairo.

[redacted]

Egyptian officials, however, still have doubts about US determination to follow through on the initiative. They have indicated they will turn to other diplomatic efforts if the US plan founders.

[redacted]

#### Other Foreign Policy Issues

Cairo considers its partnership with the US to be compatible with an Egyptian leadership role in the Non-aligned Movement and other Third World forums. Cairo believes it can serve as a bridge between Washington and the Third World and has been consulting with the US on how to steer the Nonaligned group away from the course it has taken under Cuba's chairmanship.

[redacted]

The Egyptians would like to see better US relations with Iraq, which has been buying arms from them. Mubarak believes open US support to Baghdad would help to contain its war with Iran.

[redacted]

Mubarak may want to explain the recent return of a small number of Soviet industrial technicians to Egypt and the further steps Cairo may take to normalize relations with the USSR. Although Mubarak distrusts the Soviets and seeks to limit their influence in the Middle East, an exchange of ambassadors with Moscow--for the first time since September 1981--would strengthen Egypt's credibility as a nonaligned state. Such a move, however, would not signal any major shift in Mubarak's foreign policy.

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## Special Analysis

### THAILAND: Constitutional Controversy

*Army Commander in Chief General Athit's call for constitutional amendments to ensure the armed forces' control of the political process has brought on a political crisis.*

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*Athit may be unable to induce key political party leaders to accede to his demands--a situation that could provoke him to attempt a coup. If Athit has the backing of Prem and the King, the civilian politicians probably will fall in line.*

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The controversy began on 11 January, when Athit called for a special session of the elected National Assembly to amend the constitution to retain the current multiple-constituency system of electing representatives and at the same time to protect existing powers of the appointed, military-dominated Senate.

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Under the current constitution, the Senate's powers are to be reduced in April so that it will no longer provide a majority of votes in parliament. The Senate consists largely of retired senior military officers and represents conservative interests. It has been able to limit the role of civilian politicians and resist reforms

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The constitution also calls for a new law on political parties to be put into effect when national elections are held in June. The new law is intended to put an end to opportunistic splinter groups and frequent party changing by politicians. It is forcing small interest groups to join major political factions and will curtail the ability of politicians to operate independently.

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[redacted]

The US Embassy believes that the major parties are falling into line and that a special session of parliament will open in a few days. According to the Embassy, however, even if this occurs, there is no guarantee Athit will be able to achieve the remainder of his objectives quickly, if at all. [redacted]

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The King and the Prime Minister

Athit's success in pushing through the amendment or in attempting to mount a coup will depend on the support or acquiescence of the King, Prem, and the military. Athit has long had the firm support of the palace, and his quick rise to power in large part was a result of Prem's patronage. He also has the backing of Army commanders in the Bangkok region, and leading provincial troop commanders evidently accept his recent promotion to Commander in Chief. [redacted]

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[redacted]

Prem enjoys considerable prestige throughout the armed forces, and many officers would be likely to follow his lead. His honesty and his concern with national interests, moreover, have earned him a wide measure of public support. [redacted]

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[redacted]

Public reaction is not likely to be an important factor, but some student or special interest groups could use the dispute to try to expand their influence. Any widespread protests could polarize the views of the political parties and the military. [redacted]

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#### Prospects

At this point, Athit could press senators attached to the armed forces to sign the motion calling for the session. He also could try to gain the support of the King and Prem. [redacted]

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If Athit wins over the elected officials, he would be likely to continue to back Prem while he builds the support that eventually will allow him to become prime minister. [redacted]

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If a compromise with the members of parliament cannot be reached, Athit would have to back down or mount a coup. If Athit backs down, his leadership qualities would come under strong criticism, his authority as Commander in Chief would be shaken, and his chances to succeed to the prime-ministership would be reduced.

[redacted]

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